



Mary Taylor, CPA  
Auditor of State



VILLAGE OF TERRACE PARK  
HAMILTON COUNTY

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# Mary Taylor, CPA

Auditor of State

Village of Terrace Park  
Hamilton County  
428 Elm Avenue  
Terrace Park, Ohio 45174

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 24, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Terrace Park  
Hamilton County  
428 Elm Avenue  
Terrace Park, Ohio 45174

To the Village Council:

We have audited the accompanying financial statements of the Village of Terrace Park, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds, the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Terrace Park, Hamilton County, Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis that Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

July 24, 2007



**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,021,029	\$0	\$125,974	\$0	\$1,147,003
State Shared Taxes and Permits	307,522	91,381			398,903
Special Assessments		39,274			39,274
Intergovernmental Receipts	145,604		17,186		162,790
Charges for Services					0
Fines, Licenses, and Permits	103,850	3,534			107,384
Miscellaneous	51,202	1,303		38,203	90,708
<b>Total Cash Receipts</b>	<u>1,629,207</u>	<u>135,492</u>	<u>143,160</u>	<u>38,203</u>	<u>1,946,062</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	654,448	3,259			657,707
Public Health Services	5,416				5,416
Leisure Time Activities	3,590				3,590
Community Environment	53,690	37,334			91,024
Basic Utility Services	91,158				91,158
Transportation	329,094	65,788			394,882
General Government	335,483	1,844	912	60	338,299
Debt Service:					
Principal Payments			80,000		80,000
Interest Payments			46,166		46,166
Capital Outlay				363,382	363,382
<b>Total Cash Disbursements</b>	<u>1,472,879</u>	<u>108,225</u>	<u>127,078</u>	<u>363,442</u>	<u>2,071,624</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>156,328</u>	<u>27,267</u>	<u>16,082</u>	<u>(325,239)</u>	<u>(125,562)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds				2,122,119	2,122,119
Advances-In	394,799			394,799	789,598
Advances-Out	(394,799)			(394,799)	(789,598)
Other Financing Sources	3,086				3,086
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>3,086</u>			<u>2,122,119</u>	<u>2,125,205</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>159,414</u>	<u>27,267</u>	<u>16,082</u>	<u>1,796,880</u>	<u>1,999,643</u>
<b>Fund Cash Balances, January 1</b>	<u>846,379</u>	<u>128,717</u>	<u>0</u>	<u>16,740</u>	<u>991,836</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,005,793</b></u>	<u><b>\$155,984</b></u>	<u><b>\$16,082</b></u>	<u><b>\$1,813,620</b></u>	<u><b>\$2,991,479</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$47,248</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$192,388</b></u>	<u><b>\$239,636</b></u>

*The notes to the financial statements are an integral part of this statement.*

VILLAGE OF TERRACE PARK  
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$64,068</u>
Total Non-Operating Cash Receipts	<u>64,068</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>62,248</u>
Total Non-Operating Cash Disbursements	<u>62,248</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,820
Fund Cash Balances, January 1	<u>1,331</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$3,151</u></u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property & Other Local Taxes	\$715,164	\$0	\$0	\$715,164
State Shared Taxes and Permits	465,281	96,384		561,665
Special Assessments		38,713		38,713
Intergovernmental Revenues	106,598	91		106,689
Fines, Licenses, and Permits	94,482	8,283		102,765
Miscellaneous	23,007	680		23,687
	<u>1,404,532</u>	<u>144,151</u>	<u>0</u>	<u>1,548,683</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	684,640	600		685,240
Public Health Services	5,146			5,146
Leisure Time Activities	2,862			2,862
Community Environment	55,437	40,414		95,851
Basic Utility Services	92,634			92,634
Transportation	183,520	89,845		273,365
General Government	309,071	7,844		316,915
	<u>1,333,310</u>	<u>138,703</u>	<u>0</u>	<u>1,472,013</u>
Total Receipts Over/(Under) Disbursements	<u>71,222</u>	<u>5,448</u>	<u>0</u>	<u>76,670</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Financing Sources	<u>807</u>			<u>807</u>
Total Other Financing Receipts/(Disbursements)	<u>807</u>	<u>0</u>	<u>0</u>	<u>807</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	72,029	5,448	0	77,477
Fund Cash Balances, January 1	<u>774,350</u>	<u>123,269</u>	<u>16,740</u>	<u>914,359</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$846,379</u></b>	<b><u>\$128,717</u></b>	<b><u>\$16,740</u></b>	<b><u>\$991,836</u></b>
Reserves for Encumbrances, December 31	<u>\$20,363</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,363</u>

*The notes to the financial statements are an integral part of this statement.*

VILLAGE OF TERRACE PARK  
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$63,419</u>
Total Non-Operating Cash Receipts	<u>63,419</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>62,096</u>
Total Non-Operating Cash Disbursements	<u>62,096</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,323
Net Receipts Over/(Under) Disbursements	1,323
Fund Cash Balances, January 1	<u>15</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$1,338</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Village**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Terrace Park, Hamilton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides road maintenance and police protection. The Village contracts with the Village of Mariemont for the provision of fire services and contracts with Miami Township for the provision of emergency medical services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclosure material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values that the fund reports.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special Tree Program Fund - This fund receives special assessment monies to fund the planting and preservation of Village trees.

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following Debt Service Fund:

Bond Retirement Fund – This fund receives property tax and homestead and rollback monies which are used to pay the principal and interest on Building Facilities and Equipment Bonds which were issued in 2005.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Community Building Improvement & Fire Truck Fund – This fund received proceeds from the issuance of bonds which were issued in 2005 to pay the costs of improvements to the community building and for purchase of a new fire truck.

**5. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

Mayor's Court Fund – This fund receives fines and costs from criminal and traffic citations that are heard in Mayor's Court. Distributions from the fund are made to the Village and to the State of Ohio.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool that all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$2,212,553</u>	<u>\$235,939</u>
Total deposits	<u>2,212,553</u>	<u>235,939</u>
STAR Ohio	<u>782,077</u>	<u>757,235</u>
Total investments	<u>782,077</u>	<u>757,235</u>
Total deposits and investments	<u>\$2,994,630</u>	<u>\$993,174</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows (excludes agency fund):

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,971,109	\$1,632,293	(\$338,816)
Special Revenue	125,237	135,492	10,255
Debt Service	143,008	143,160	152
Capital Projects	2,548,873	2,160,322	(388,551)
Total	<u>\$4,788,227</u>	<u>\$4,071,267</u>	<u>(\$716,960)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,660,099	\$1,520,127	\$139,972
Special Revenue	121,140	108,225	12,915
Debt Service	0	127,078	(127,078)
Capital Projects	0	555,830	(555,830)
Total	<u>\$1,781,239</u>	<u>\$2,311,260</u>	<u>(\$530,021)</u>

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,149,631	\$1,405,339	\$255,708
Special Revenue	101,300	144,151	42,851
Total	<u>\$1,250,931</u>	<u>\$1,549,490</u>	<u>\$298,559</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,503,147	\$1,353,673	\$149,474
Special Revenue	144,006	138,703	5,303
Total	<u>\$1,647,153</u>	<u>\$1,492,376</u>	<u>\$154,777</u>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the following funds by the following amounts for the year ended December 31, 2005: Bond Retirement Fund, (\$127,078); and Community Building Complex/Fire Truck (\$555,830).



**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Property tax owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

<b>Issue</b>	<b>Principal</b>	<b>Interest Rate</b>
Building Facilities and Fire Truck/ Equipment Bonds	<u>\$2,020,000</u>	4.2%

The Building Facilities and Fire Truck/Equipment Bonds were issued on June 1, 2005, in the amount of \$2,100,000 for the purpose of acquiring a new fire truck and reconfiguring and expanding community building facilities. Unless paid from other sources, the Bonds are payable from an ad valorem tax levied upon all the taxable authority within the Village with no limitation as to rate or amount.

Amortization of the above debt, including interest, is scheduled as follows:

<b>Year Ending December 31</b>	<b>Building Facilities and Equipment Bonds</b>
2006	\$129,932
2007	128,532
2008	127,132
2009	130,732
2010	129,156
2011-2015	670,526
2016-2020	724,940
2021-2025	769,440
2026-2029	<u>637,466</u>
<b>Total</b>	<b><u>\$3,447,856</u></b>

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participants' gross wages. OPERS members contributed 8.5% of their gross wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all required contributions through December 31, 2005.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments (Members).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<b>2005</b>	<b>2004</b>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. SUBSEQUENT EVENTS**

Litigation involving the Village was filed in the United States District Court for the Southern District of Ohio, Western Division, on March 27, 2007. The litigation involves claims against the Village and several other local communities regarding an alleged incident which occurred on December 4, 2006, relating to a law enforcement effort to reduce drug trafficking. The claim demands relief in attorney fees, compensatory and punitive damages. A trial date has been set for July 28, 2008. An estimation of the range of damages cannot be made at this time.

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Terrace Park  
Hamilton County  
428 Elm Avenue  
Terrace Park, Ohio 45174

To the Village Council:

We have audited the financial statements of the Village of Terrace Park, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 24, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 to be a material weakness. In a separate letter to the Village's management dated July 24, 2007, we reported other matters involving the internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 and 2005-003. In a separate letter to the Village's management dated July 24, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 24, 2007

**VILLAGE OF TERRACE PARK  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 & 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Material Weakness**

The preparation of the monthly bank reconciliation is an important management tool for explaining differences between the cash bank account balances and the accounting system book balances and assists in the detection of errors, irregularities, and improper or incorrect postings to the accounting records. The accuracy of the monthly bank reconciliation is essential for proper financial reporting and to enable Village Council to be able to make sound financial decisions.

The Village did not accurately reconcile its December 31, 2005 and December 31, 2004 cash bank account balances to its accounting system fund balance. Some of the discrepancies on the reconciliations were as follows:

- Amounts initially reported for outstanding checks and deposits in transit on the December 31, 2005 and December 31, 2004 reconciliations were inaccurate and not adequately supported.
- In 2005, a Mayor's Court deposit in the amount of \$4,092 and a receipt of intergovernmental revenue in the amount of \$2,030 were not posted to the accounting system. In 2004, a receipt of intergovernmental revenue in the amount of \$635 was not posted to the accounting system.
- In 2005, a payroll transaction in the gross amount of \$400 was not posted to the accounting system.
- The reconciliation for December 31, 2005 contained a reconciling item of \$5,690 which could not be explained. The reconciliation indicated that the bank account balance was greater than the accounting system book balance.
- Audit adjustments from prior audit periods which affected cash fund balances were not posted to the accounting system.
- Interest and bank service charges were not always posted to the accounting system.
- The monthly reconciliations for 2005 and 2004 were submitted to Council, but no errors or inaccuracies were noted.

We recommend that the Village Fiscal Officer resolve all exceptions and reconciling items when completing the monthly bank reconciliations. Deposits in transit should be supported by receipt numbers which state the date, amount, and source of the deposit in transit, and should trace to the subsequent monthly bank statement. Outstanding checks should be supported by a detail listing of checks and should be traceable to subsequent bank statements. Other adjustments (if any) should be documented and unexplained differences (if any) should be investigated and immediately resolved. The Village might also consider requesting that its depositories prepare its monthly bank statements for a contained month that ends on the final day of each month. In addition, the Village might consider establishing a separate control account for payroll activity.

We also recommend that the monthly bank reconciliations be submitted to the members of Village Council prior to the regular meetings so that Council members have an opportunity to review the reconciliations and identify issues or questions prior to the actual meeting. Council's approval of the monthly bank reconciliations should also be documented in the minutes.

**FINDING NUMBER 2005-001  
(Continued)**

We also reported this matter in our audit of the 2003-2002 financial statements.

**Officials' Response:**

We received no response.

**FINDING NUMBER 2005-002**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blank certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for 19% and 28% of expenditures tested, respectively, for 2005 and 2004 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending of funds and negative cash balances.



**FINDING NUMBER 2005-002  
 (Continued)**

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of Village funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend that the Village certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

We received no response.

**FINDING NUMBER 2005-003**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41(B)**, provides that no subdivision is to expend money unless it has been appropriated. For the year ended December 31, 2005, the following variances for the following funds were identified where total expenditures and outstanding encumbrances exceeded total appropriations:

<u>Fund Name</u>	<u>Total Appropriations (including carryover encumbrances)</u>	<u>Total Expenditures &amp; Outstanding Encumbrances</u>	<u>Variance</u>
Bond Fund	\$0	\$127,078	(\$127,078)
Community Building Complex/Fire Truck	0	555,830	(555,830)

We recommend that the Village consistently deny any payment request which would result in a fund's expenditures exceeding appropriations. Where necessary, the Village may request the Village Council to approve increased expenditure levels by amending appropriations. We also recommend that the Village Council periodically review appropriations posted to the accounting system, to ensure that the amounts are accurate and match the amounts actually approved by the Village Council in the minutes, and also to determine whether modifications to appropriations are necessary.

**Officials' Response:**

We received no response.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF TERRACE PARK**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2007**